COMCAST DIGITAL VOICE SERVICE
Residential Pricing List (Effective: January 1,2007)
COLORADO
VERSION 10

ADMINISTRATIVE/GENERAL	CHARGE
Late Payment Fee	
Day 30	$2.95
Day 45	$2.00
Each Additional 30 Day Period	$4.95
Returned Check Fee,	$20.00
Modem Replacement Fee [1]	$155.00
Service Protection Plan	$3.99/mo.

ADMINISTRATIVE/GENERAL (Cont'd)	CHARGE
Federal Universal Service Fund (USF)	
– Universal Connectivity Charge	Note [2]
Regulatory Recovery Fee	
The Regulatory Recovery Fee supports municipal, state and federal programs including, without limitation, universal service, telecom relay services for the visual/hearing impaired, and 911/E911 programs and infrastructure. This aggregated fee is not government-mandated, may vary based on your monthly usage patterns, and includes the following components:	
– State Universal Service Fund (USF)	Note [3]
– County E911, per line, up to a maximum of	$1.25/mo.
– City E911, per line, up to a maximum of	$0.70/mo.
– State Telecom Relay Service, per line	$0.07/mo.
– State Lifeline Fund, per line	$0.00/mo.
– Business & Occupation Tax/Local License, varying maximums applied on a per-account or per-line basis	$1.35/line or $2.00/accnt.

[1] Replacement equipment is Coincast (and not customer) owned.
[2] In calculating the Federal USF Universal Connectivity Charge, the Company uses a percentage equal to the FCC's current USF carrier contribution percentage.
[3] In calculating the State USF portion of the Regulatory Recovery Fee, the Company uses a percentage equal to the Colorado Public Utility Commission's current USF carrier coutribution percentage.

Service is for residential customers located in Coincast serviceable areas only and is subject to availability. Multi-product discounts for Unlimited Package require continuous subscription to all specified Coincast products. Pricing shown does not include federal, state or local regulatory fees, taxes or surcharges. Service is subject to the Comcast Digital Voice Residential Subscriber Agreement and other applicable tenns and conditions. Prices shown are effective on the date specified and are subject to change. Other restrictions apply. For additional information, contact us at I-888-COMCAST.

See Prices & Choose Packages

Comcast Bundles | High-Speed internet | Comcast Digital Voice® | Cable

With just one bill and one relationship to manage. Comcast Bundles deliver the kind of simplicity your busy life demands. Best of all, there's no mnre cost-effective way to tap into Comcast's full range of services.

Offers & Packages	Features Summary	Monthly Price
Special Offer Triple Play Limited-Time Web Only Nintendo DS Offer	Comcast is now offering internet, phone **and** cable together in one package for just $33 each per month for one year when you sign up for all three. It's a great value. This package is designed for new customers and includes: Comcast Digital Cable **with ON** DEMAND Get the best in entertainment with ON DEMAND- a library of tons of free movies and programs that are ready to watch when you are. You'll also get 100% Digital quality picture and sound. Over 100 channels including music, sports and family entertainment. Plus. an interactive on-screen guide, and commercial-free digital music. Dish doesn't offer all this! ■ $33 per month for 1 year when you subscribe to all three services.' Comcast High-speed internet Download music, photos and videos way faster than DSL and Dial up. Plus, get McAfee virus protection. firewall and parental controls. • $33 per month for 1 year when you subscribe to all three services.' Comcast Digital Voice® Enjoy unlimited local and nationwide long distance calls so you can talk as much as you want. Plus, Voice Mail with web access,12 popular calling	$99.00

features iike Caller ID, 3-Way Calling and Anonymous Cali Biocking. Online account summary and call detail. Keep your number or change it - you decide.

- $33 per month for 1 year when you subscribe to all three services.'
  EMTA reouired for an additional monthly fee,

For a limited time, new Comcast customers who order & install ali three Tripie Play products [Video, Comcast Digital Voice, Comcast High-speed Internet] online receive a Nintendo DS [$129 value] by mail after install. See complete rules and restrictions at the bottom of the "See All Features" pop-up. Offer ends 12/15/06.

Promotional Rate is $99.00/month for 12 month(s), ongoing price is $132.59/month

+ ***See*** All Features

Special Offer

Triple Play Plus Limited-Time Nintendo DS Offer

$132.55

Comcast is now offering internet. phone and cable together in one package for just $129.99 per month for one year when you sign up for ali three. It's a great vaiue.

This package is designed for new customers and includes:

Comcast Digital **Plus** with **ON** DEMAND
Get the best in entertainment with ON DEMAND- a library of tons of free movies and programs that are ready to watch when you are. You'll also get 100% Digital quality picture and sound. Over 100 channels including music, sports and family entertainment. Plus, an interactive on-screen guide. and commercial-free digital music. Dish doesn't offer all this!

- $63.99 per month for 1 year when you subscribe to ali three services:

Corncast High-speed Internet
Download music, photos and videos way faster than DSL and Dial up. Plus, get McAfee virus protection, firewall and parental controls.

- $33 per month for 1 year when you subscribe to all three services.'

Corncast Digital **Voice®**
Enjoy unlimited local and nationwide long distance calls so you can talk as much as you want. Plus, Voice Mail with web access,12 popular calling features like Caller ID, 3-Way Calling and Anonymous Call Blocking. Online account summary and call detail. Keep your number or change it - you decide.

- $33 per month for 1 year when you subscribe to all three services.'
  EMTA required for an additional monthly fee.

Starting as low as $132.95/month for 12 month(s), ongoing price is $174.89/month

+ See All Features

Special Offer

Triple Play Platinum Limited-Time Nintendo DS Offer

$159.95

Comcast is now offering internet, phone and cable together in one package for just $159.95 per month for one year when you sign up for ail three. It's a great value.

This package is designed for new customers and includes:

Comcast Digital Platinum Cable with ON DEMAND
Get the best in entertainment with ON DEMAND- a library of tons of free movies and programs that are ready to watch when you are. You'll also get 100% Digital quality picture and sound. Over 100 channels including music, sports and family entertainment. Plus, an interactive on-screen guide, and commercial-free digital music. Dish doesn't offer all this!

- $93.95 per month for 1 year when you subscribe to all three services:

Comcast High-Speed Internet
Download music, photos and videos way faster than DSL and Dial up. Plus, get McAfee virus protection, firewall and parental controls.

'Indicates promotional pricing. Certain restrictions apply. After promotional period, regular monthly rate for ordered service applies. Not all offers and **services** are **available** in all areas.

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Comcast.

Comcast Names William Stemper President of Comcast Business Services

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PHILADELPHIA, Aug. 7 /PRNewswire/ -- Comcast Corporation (Nasdaq: CMCSA, CMCSK), the country's leading provider of cable, entertainment and communications products and services, announced today that William Stemper has been appointed President of Comcast Business Services and Senior Vice President of Comcast Cable.

In this newly created position, Mr. Stemper will oversee Comcast's business services strategy to facilitate the deployment of new and existing communications products and services for business customers. He will report to Dave Watson, Executive Vice President of Operations for Comcast.

"Bill has tremendous leadership experience and an outstanding record of successfully delivering high-value solutions for business customers," said Mr. Watson. "I'm thrilled that he will lead Comcast's continued efforts as we leverage our unparalleled network to deliver video, voice and data services for the business marketplace."

Mr. Stemper has over 25 years of industry experience, most recently serving as Vice President of Cox Business Services for Cox Communications in Atlanta, GA. Prior to that, he held key executive positions for AT&T Corporation that focused on serving the needs of business customers in the United States and Europe.

Mr. Stemper holds a master's degree in Business Administration from the University of Pennsylvania's Wharton School of Business and a bachelor's degree in Electrical Engineering from Marquette University in Milwaukee, WI. He will relocate to Philadelphia from Atlanta with his family.

About Comcast

Comcast Corporation (Nasdaq: CMCSA, CMCSK) (http://www.comcast.com) is the nation's leading provider of cable, entertainment and communications products and services. With 23.3 million cable customers, 10 million high-speed Internet customers, and 1.6 million voice customers, Comcast is principally involved in the development, management and operation of broadband cable systems and in the delivery of programming content.

Comcast's content networks and investments include E! Entertainment Television, Style Network, The Golf Channel, OLN, G4, AZN Television, PBS KIDS Sprout, TV One and four regional Comcast SportsNets. Comcast also has a majority ownership in Comcast Spectacor, whose major holdings include the Philadelphia Flyers NHL hockey team, the Philadelphia 76ers NBA basketball

Posted on Thu, Jan. 11, 2007

Comcast CEO says next target is businesses

The Phila. company wants to sell Internet, voice and video services to small and medium-size firms.

By Deborah Yao
Associated Press

The chief executive officer of Comcast Corp. said the "next great business opportunity" lies in selling its Internet, voice and video services to small and medium-size businesses - setting a target of capturing 20 percent of the market in five years.

"There's very little to no competition today," Brian L. Roberts said Tuesday night at the Citigroup Entertainment, Media & Telecommunications Conference in Las Vegas. "If you're a pizza parlor, you pretty much have one choice" in where to get telecom services, which is from the local phone company.

He said Philadelphia-based Comcast would go after businesses with fewer than 20 employees, of which three million are within or near the company's service area. These companies could yield $12 billion to $15 billion a year in additional business.

While Roberts expects to sell more Internet and phone service to businesses, he said he saw some taking cable N as well

He also said the company's residential bundle of video, Internet and phone service for $99 a month for a year - its "triple-play" package - would continue to drive growth in 2007. Roberts said he saw Comcast targeting the 23 million homes nationwide that can subscribe to its services but do not.

Comcast sells video to half of the households within its service area, high-speed Internet to 24 percent, and phone service to 4.5 percent. He wants to increase the penetration of phone service to 20 percent by 2009.

To attract more digital customers, Comcast plans to double its high-definition-TV programming through video on demand in 2007.

"We think there is a lot of growth... for the years ahead," Roberts said.

In a decade or less, Roberts said, he foresaw half of Comcast's business as non-video.

Earlier Tuesday, Comcast said it would add 2,800 jobs this year in Pennsylvania, New Jersey, Delaware, Maryland, Virginia and Washington. Most positions will involve directly interacting with customers.

About 900 of those jobs will be in the Philadelphia area.

Comcast, the nation's largest cable operator, serves more than 24 million cable customers.

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Comcast to target businesses

Centennial call center to aid phone service

By Joyzelle Davis, Rocky Mountain News
March 21, 2007

Darin McGregor © News

A foam hand that illustrates treating the customer as No. 1 sits on the desk of Josh Hammes as he takes calls Monday at Comcast's new business services support center in Centennial.

Comcast, which traditionally has focused on residential customers, is poised for an aggressive push into the $15 billion small-business market.

Comcast on Tuesday announced the opening of a Centennial call center that's one of two facilities nationwide dedicated to the company's small- business clientele. The center initially will be staffed by 100 employees and has room to expand to 400.

The Centennial office will play an integral part in the nation's largest cable company's plans to offer a bundle of phone, Internet and video services to the estimated 5 million small businesses in its territory. Comcast already offers Internet and pay TV to businesses but will ramp up efforts when it launches phone service later this year, said Jim Erickson, Comcast's vice president of business services for the west division

"The companies that serve the small-to-medium business market have taken them for granted, and these people are looking for a choice," Erickson said.

Comcast is conducting a "very small trial" of its phone service for businesses in the Denver market and hasn't set an official launch date, he said. Nationwide, the company plans to spend $250 million this year and $3 billion over the next five years to build out its commercial phone network.

In going after the business market, Comcast is looking to replicate the success it has had since launching Internet-based phone service for residential customers. Some two years after launching its service, Comcast has more than 2 million subscribers nationwide.

Other cable companies, including Cablevision and Cox, also are eyeing business as the next growth engine after residential voice service

Telecom companies sell all business customers about $115 billion in services each year, but Comcast is focusing on businesses with fewer than 75 employees with an emphasis on workplaces with fewer than 20.

Qwest Communications, which had 2.87 million business land lines last year, says it's ready for the challenge. More than a year ago, the Denver-based telco switched its customer service structure to offer businesses a dedicated person for their accounts rather than regular call center support and has a specialized call center targeting Hispanic businesses.

Qwest also emphasizes that it can offer services to businesses throughout the country, not only in its 14-state local phone territory

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The Denver Business Journal - **June 26,2006**
http://denver.bizjournals.com/denver/stories/2006/06/26/story7.html

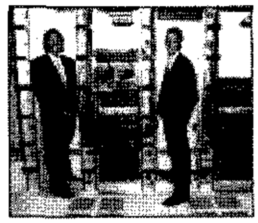
DENVER BUSINESS JOURNAL

BUSINESS PULSE SURVEY: Wearing casual clothing in the office

VoIP firm gets boost from Comcast

The Denver Business Journal - June 23 *2006* **by** Bob Mook **Denver Business Journal**

Greenwood Village-based IP5280 Communications recently made a cross-marketing arrangement to provide Internet phone services for Comcast Corp.'s local business customers -- marking the cable giant's tentative step into the potentially lucrative world of enterprise-level Voice-over-Internet Protocol (VoIP).



Carmel Zucker
Jeffrey Pearl and John Scarborough are managing partners of IP5280 Communications
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Under the deal, Comcast will refer business customers interested in VoIP to IP5280, which in turn will refer its customers to Comcast's data services.

Although the agreement gives the eight-person operation a big boost, John Scarborough, managing partner of IP5280, acknowledged the deal is a temporary stopgap before Comcast introduces its own VoIP offering for businesses.

Through its high-speed Internet service, Comcast now offers businesses speeds up to eight megabytes per second for up to 25 computers. The service is available in commercial buildings near neighborhoods where Comcast already provides cable TV, high-speed Internet and phone service.

"We view this as a huge market opportunity," Scarborough said of the Comcast deal.

Michael Soileau, senior director of business services for Comcast, concurred.

"This is a big win for them," Soileau said. "It provides them with the solution they need to drive their product."

Soileau said Comcast probably would roll out its own VoIP product in the next year or two. He declined to say how many businesses are receiving Comcast's high-speed Internet services, but estimated the number of Denver-area business customers at "several thousand."

Comcast started pushing its efforts to reach small-to-midsized businesses earlier this year after investing more than $400 million to improve its Denver-area network. Comcast introduced VoIP to residential customers in late 2005.

Founded earlier this year by former executives from Qwest Communications International Inc., EchoStar Communications Corp. and ICG Communications, IP5280 provides VoIP for small-to midsized customers in Colorado. The privately held IP5280 already has acquired two companies, Linesider Communications and Smart Communications, this year.

Jeffrey Pearl, also managing partner of IP5280, said the company already has signed up more than 100 business customers. Clients include Dutch Flower Market, Lion Financial Corp. and Omni Capital Group. Most of the IP5280's customers switched from Qwest's traditional landline service.

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Despite *60* available features, including voice mail that can be sent as e-mail, Pearl said price is still the most attractive selling point for VoIP. Prices range from $39 to $59 per month, per user for unlimited local and domestic long-distance calling.

Adam Hancock, a State Farm Insurance agent from Elizabeth, estimated he's saved **$300** a month on his phone bill since the office switch to VoIP through IP5280.

Hancock said it took him a while to get used to the new system, and the VoiP phones are "a little costly" (he spent about $2,000 for five VoIP-compatible phones and a new fax machine), but the savings and features are worth it.

Guy McAree, vice president of product marketing for New Global Telecom Inc., a wholesale provider of VoIP, said demand for Internet phone service has grown rapidly, giving small players such as IP5280 an open field on which to compete.

He said while all local exchange companies, including Qwest, offer VoIP, none are very aggressive in selling the service.

"From their perspective, they're stealing customers from one pocket to another -- it's not something that needs to be migrated quickly," McAree said.

Meanwhile, dozens of local companies provide business-class VoIP. But Merrell cautioned it'll take only about 18 months before the larger players start taking VoIP more seriously.

Will Stofega, an analyst for IDC Corp., said the Framington, Mass.-based market research firm recognizes that small businesses are the primary market for VoIP.

Stofega estimated businesses using VoIP have about 30 users per site. About 75,000 businesses use the technology -- a number that's expected to grow to 400,000 by 2008, according to an IDC study.

IP5280 Communications
What the company does: Provides Internet phone services.
Address: 5910 S. University Blvd., Suite C18-214, Greenwood Village, Colo. 80121
Phone: 720-266-4575
Web: **Web site: www.ip5280.com**

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Forget the triple play--wireless ups the ante

By Marguerite Reardon
Staff Writer, CNET News.com
Published: January 4, 2007, 4:02 AM PST

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If 2006 was the year of the triple play, 2007 may very well be the year of the quadruple bundle as cable operators and phone companies start to integrate mobile wireless services into their service packages.

Even though AT&T will soon own all of Cingular Wireless, and Verizon Communications owns a significant stake in Verizon Wireless, the cable industry seems to be taking an early lead in actually integrating the services and rolling them out to customers.

"Depending on how well mobile services are received by cable customers, it could up the ante in the battle between cable and phone companies," said Jim Penhune, an analyst with Strategy Analytics. "It will force the phone companies to readdress the market and get more serious about integrating their own wireless services into their offering."

Starting this year, all four of the cable operators involved in a joint venture with wireless carrier Sprint Nextel will launch their integrated mobile phone service. Comcast and Time Warner, which have already announced public pilot programs, are expected to expand their service in 2007. And Cox Communications and Advanced Newhouse also are expected to begin offering the service in 2007.

For cable operators, adding wireless to their bundle, which already includes high-speed Internet access, telephony and video services, means more than just providing customers with a single bill and a discount for buying more than one service. These companies see mobility as a way to add more convenience and value to services they already subscribe to.

"There is no question that wireless ties all of our services together," said Tom Nagel, senior vice president and general manager of wireless services at Comcast. "The idea is you can take the services you enjoy at home with you when you're on the go using a mobile device."

In the initial launch Comcast, Advanced Newhouse, Time Warner and Cox will allow customers to access their e-mail, cable TV guide and home voice mail from their cell phones. They'll offer some video content

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on their phones that would otherwise be available only at home. Eventually, the cable companies want to allow customers to be able to do things like program their DVRs remotely from their handsets.

Still early in development

But the companies admit that they are still in the early stages of developing these services. This past year, they've focused mainly on logistics, such as offering customers a single bill that details charges for all their services, including, broadband, voice, TV and wireless. They've also been training sales and support staff to handle the new wireless service. And they've worked on getting the basics of the service in place, such as simplifying the user interfaces so that customers can easily navigate the services and so that those services feel familiar and comfortable to customers.

This means that when customers access their e-mail or view the cable *N* guide on their phone, the interface on the phone will be similar to what they see on the PC screen or on their TV at home. The voice mail service doesn't provide a single mailbox, but it offers the home voice mail mailbox as an option in the menu when checking for wireless voice mail messages.

"We know customers aren't begging for a bundled bill," said lohn Garcia, president of the Sprint-Cable loint Venture. "And they don't necessarily want a new service. What they really want is for the services they already have to work together."

While they may not be as far along as the cable operators and Sprint in developing an integrated wireless service, the phone companies made it clear during the past several months that they will add wireless services to their bundles. During the second half of 2006, Verizon began offering a voice-services bundle that allowed people to talk for free between their cell phones and their Verizon home phones. It also provides a single voice mailbox. But the service is limited to certain customers in Texas and Florida. And it doesn't yet integrate any of the broadband or TV services the company is offering.

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In Light of Competition, Wireless is a Defensive Play for Comcast

Thursday November 30, 9:21 am ET

By Peter Topolewski, BullMarket.com

There's never a dull moment in the communications industry, though some of the news from the sector couid be duller than the headlines in the financial press might suggest. Breaking from its more common operating procedure of rolling out new services after its peers; Comcast (Nasdaq: CMCSA - News) this time led the charge as the first operator in a cable consortium with Sprint **Nextel** (NYSE: S - News) to offer wireless phone service. While that rollout sets the stage for quadruple-play offerings, this advance isn't as big of a deal as it might seem. Just as important are some of the developments in its cable business and its rivals' niarketing strategies,

Don't get us wrong, Comcast wireless phone service could be the beginning of a strong tailwind for Sprint, the company supplying the wireless capability to Comcast and a group of other cable companies including Time Warner (NYSE: TWX - News). Sprint is the firm that will receive the bulk of the service revenue, and if the cable companies' marketing message of "value and convenience" resonates with customers, this could drive significant customer wins for the carrier.

There is an upside for Comcast too, but it is less obvious. The company has downplayed quadruple play as a revenue driver, especially in comparison to triple play, which over the past couple of quarters has clearly come into its own as a major source of growth. Comcast was wise to do so. Liberty Global (Nasdaq. LBTYA - News) recently pointed out that it isn't too bullish on quadruple play. The company has been offering mobile virtual network service in Japan, Holland, and Switzerland. and it is taking a cautious approach to expanding these offerings as the benefit has been minimal.

In New York, **Cablevision** Systems (NYSE: CVC - News) is selling Sprint service. and after about a year of the offering, it isn't exactly bullish on the results. Part of the problem appears to be that it has to be packaged the right way. and Cablevision has been tinkering to see what offering works best to keep users. It is an uphill battle, however, because as Liberty Global's CEO Mike Fries told Cable Digital News, it's too early to tell if wireless is a killer app foi cable. "It doesn't appear lo be at this stage." he said, "[because] the mobile business is unbelievably mature and highly competitive, with lots of churn and very little product differentiation."

The cabie consortium intends to take a different approach to wireless than Cablevision has. The group, including Comcast, does intend to bundle wireless with other services with the aim of offering customers convenience and savings. The goal is increased customer loyalty and reduced churn. It's important to note, however, that given how low churn at Comcast is now, wireless won't make much difference there in the near term. Instead, the churn benefit could help as cable operators see more TV competition from the iikes of **AT&T** (NYSE: T - News). in this respect, the wireless offering is a pre-emptive strike against this imminent uptick in competition. Longer term. the service -- which is now offered in Boston and Portland -- will stand out further as the consortium integrates wireless and TV functionality. Those offerings aren't likely to be seen for some time, however.

A Focus on Core Businesses

This year Comcast has obviously finally found favor on Wall Street, in part due to the success it has had and partly because analysts began to admit that the challenge posed by telecoms isn't pi-esently as big as it was made out to be. Watching this sentiment will remain important. however, because in spite of all the challenges telecoms have ahead of them in TV, they are rolling out their hardware to new communities every month. No competitor should be dismissed outright. Satellite operators, once the bane of the cable industry, have fallen sharply behind because of technical deficiencies offering things like Internet and VoIP services. Still, they're not going away. Both **Echostar** Communications (Nasdaq: DISH - News) and **DirecTV** (NYSE: DTV - News) have appreciated strongly this year, and they're upping the competition for TV viewers, especially those buying HDTVs. Thanks to deals with company's like Best Buy (NYSE: BBY - News), the satellite companies are packaging their TV services with new televisions. A major hardware upgi-ade like a new HDTV is one of the few times consuiners seriously think about switching providers.

This strategy is particularly important this holiday season. because it is being widely regarcled as the season of tne flat panel TV

It will be important not only to see if the marketing efforts from satellite operators are successful, but also if the perception of success sours some of the optimism surrounding the cable sector.

This uptick in competition for new and existing users is even more interesting in light of Comcast's decision this week to hike its cable rates. The company said it will increase rates at the start of next year by an average of 3%. That increase follows on what Comcast said were $300 million in investments in new features and functionality. Price. obviously, could be a churn driver, especialiy when deals from satellite and telecoms are stepping up.

Corncast clearly has confidence in its ability to keep churn down, and it has some marketing weapons oi its own to help. The firm outlined that customers will save money via triple-play packagss (thus driving adoption rates of that bundle) and that Internet price won't increase in spite of dramatic increases in data speeds over the past year.

In a way, the debut of Comcast wireless is a big story for the company, but at this point, its importance lies in the defensive qualities it brings to the product portfolio, not in the incremental revenue it will add. The service could prove important in keeping churn down, especially in the later part of 2007 and into 2008. Churn end customer growth – and how both affect the market's perception of Comcast -- are also very much in focus in light of competitive efforts irom satellite providers and Comcast's rate increases. The company clearly remains on a roll, but these are issues that investors have to keep an eye on.

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Regulatory Event Risk Headlines Fitch's U.S. Telecom Outlook for 2007

29 Nov 2006 9:30 AM (EST)

Fitch Ratings-Chicago-29 November 2006: Fitch believes that regulatory event risk will play a major role in the competitive and financial prospects of telecommunications operators in 2007. The inability of Congress, along with the Federal Communications Commission (FCC), to address key telecommunications issues related to Universal Service Funding (USF), inter-carrier compensation and video franchising in 2006 has shifted this growing event risk into 2007. The difficulty in resolving these regulatory issues highlights the potential changes being considered, the diversity of opinion and its ability to have dramatically different outcomes for the various telecommunications operators. Further complicating this situation is the recent political shift of power in Congress. The earlier telecommunications reform efforts will likely have to start over with a need for bipartisan support. It seems likely that USF reform and net-neutrality will be key issues in any future reform plans.

Along with telecommunications legislative reform, a variety of proposals from the FCC and other industry groups, are being evaluated that could have a significant impact on the industry. Some examples would include the FCC investigating a 'reverse auction' plan to resolve many of the funding and disbursement challenges associated with USF. A 'reverse auction' could limit high cost support from USF to a single operator willing to receive the least amount of support in a given study area. Another proposal called the 'Missoula' plan would reform inter-carrier compensation rules reducing access rates in place of higher subscriber line charges (SLC) and capturing originating traffic from non-traditional phone providers. Along with these plans, and others, the timing and approach to implementation will be as important as the change itself to the prospects of individual operators. Fitch believes that material change in regulatory rules is probable in *2007* and it is possible that these changes will result in variability of business prospects and competitive pressures for the industry. Pressures that have a significant negative affect on financial stability would be recognized by credit rating downgrades or Rating Outlook revisions.

The competitive impacts of technological change remained intense, as expected, in *2006* and this should continue in *2007.* Cable multiple system operators (MSOs) have aggressively rolled-out digital telephony services using voice over Internet protocol (VoIP) technology that has increased retail access line erosion of incumbent local exchange carriers (ILECs). The scale of this erosion, which is expected to reach a total of approximately *6* million, representing cable telephony net additions in *2006* of more than 3 million, has increased with the widespread availability of cable telephony and its associated multi-service bundles. Fitch expects this trend to continue in *2007* as pent-up demand is satisfied and MSOs complete aggressive roll-out marketing plans in new service areas. Wireless substitution will remain an equally significant source of access line erosion in *2007* as it was in *2006,* with an increasingly aggressive prepaid product focus.

Business revenues should be a source of strength in *2007* for telecommunications operators. Pricing pressure, associated with new higher bandwidth and more flexible data technologies, has been a challenge to producing material revenue growth in the enterprise space even though growth in demand continues. These pricing pressures have moderated to some degree in *2006* and this trend should continue in *2007* allowing enterprise to be a source of financial growth in the coming year. Economic strength has led to meaningful growth of the small and regional business customer environment, which is expected to continue in *2007.*

The wireless industry experienced a slowing of both revenue and subscriber growth in *2006* and both these trends will continue in *2007.* Beyond, competitive impacts on pricing and subscriber additions, the mix of post-paid and pre-paid subscribers is changing with pre-paid becoming an increasing percentage of the total customer mix. Through mid-06, prepaid and reseller subscribers represented approximately 13.1% of total subscribers in the U.S. compared to 12.5% and 10.6% at year-end 2005 and 2004, respectively. Pre-paid subscribers have a materially lower average revenue per user (ARPU) and higher churn rate compared to post-paid subscribers. Therefore, a continuing trend of the industry adding a greater number of prepaid customers will create greater negative pressure on ARPU and churn. While third-generation wireless technology offers advanced data rates, these will likely not fully offset the voice revenue pressures in the industry in 2007 which would create a slowing of financial growth in 2007.

Merger and acquisition activity has been strong in 2006 and should continue in 2007 with the focus on mid-tier and rural service provider consolidation. Changing business prospects, in part due to regulatory uncertainties, in these areas along with the recognized benefits of scale should produce more momentum for rural ILEC acquisition activity along with other mid-tier telecommunications operators in the carrier and data markets. Fitch believes the degree of acquisition activity will be closely linked to the regulatory and economic developments in the telecommunications sector in 2007.

From a recovery ratings perspective, which applies generally only to speculative-grade issuers, consolidation, economic stability and growing telecommunications service demand has led to a general strengthening of recovery values in the sector. This trend should continue in 2007, particularly if consolidation activity remains strong.

Wireline Outlook:

Wireline revenues continue to be pressured by access line erosion associated with wireless substitution, cable MSO telephony offerings, wholesale voice connections and high-speed data second line substitution. Total switched access line erosion has increased from approximately 5.3% in 2004 to approximately 6.5% in 2005 and is on pace to increase to approximately 6.8% in 2006. Looking more closely at the components of this erosion shows that retail access line erosion was approximately 5% in 2004 and then jumped to 7% in 2005 and will reach 8% in 2006. The large jump in retail access line erosion in 2005 is a combination of increased wireless substitution, the introduction of cable telephony and the requirement changes associated with unbundled network elements. The increase in 2006 is largely the result of the increased coverage of cable telephony and the success of that offering. Fitch believes that the percentage of erosion from wireless substitution will continue relatively constant, while second line substitution will fall as the total of those lines decreases, but that cable telephony will see increased success in 2007 resulting in aggregate industry retail access line erosion of greater than 8%. Business access lines have had a stable aggregate erosion rate of between 2.5%-3% since the beginning of 2005 and that this level will continue in the future. As a result, total aggregate access line erosion should approximate 7%-7.25% in 2007. Data revenues, a partial offset to access line erosion pressures, will grow in 2006 in the high single digit range due to strong digital subscriber line (DSL) additions. DSL net additions for 2006 will reach approximately 6 million, which would be a double digit increase from full year 2005 additions of approximately 5.1 million. DSL additions should again be strong in 2007, with an increase of approximately 6.6 million lines. Data revenues now represent approximately 33% of total wireline revenues and almost 20% of total consolidated revenues. In spite of stronger data growth, total wireline revenues will likely be flat, to slightly down, in 2007 when compared to 2006.

Aggregate ILEC margins should be flat to slightly down in 2007 due in part to the timing of synergies and integration expenses of the variety of acquisitions and mergers from the past couple years continues. Additionally, potential regulatory changes and spreading cable competition could have a greater impact on rural ILECs cash flow leading to lower margins for these operators. Furthermore, strategic, but costly, broadband and video deployments at AT&T and Verizon will add pressure to aggregate telecommunications margins. As a result, Fitch expects that wireline EBITDA could be flat to slightly down, on aggregate, for 2007.

Regional Bell Operating Companies (RBOC):

Fitch believes relatively stable ratings are in store in 2007 for the Regional Bell

Operating Companies (RBOCs). Both AT&T Inc. and Verizon Communications are expected to derive increased merger synergies from their respective acquisitions of AT&T Corp. and MCI, as integration efforts enter their second year, and integration costs decline. For AT&T, the completion of the BellSouth merger will be important, but the timing of the final approval from the FCC is uncertain as the agency has delayed the approval of the merger more than once already. Nevertheless, Fitch expects the merger ultimately to be approved. Positive aspects of the post-merger AT&T and Verizon include their diverse service offerings, strong wireless businesses and solid balance sheets. The principal negative characteristics of post-merger AT&T and Verizon, along with Qwest Communications International Inc. (Qwest) include the exposure of their consumer wireline businesses to ongoing wireless substitution and the rise of competition from cable MSOs which have virtually completed their voice service deployments. AT&T and Verizon are affected by the timing differences between the cable MSO telephony offerings, and the nascent stage of their own network-based video deployments. As a consequence of improving the competitive position of their networks, AT&T's and Verizon's re-investment levels remain high. Cash flows are expected to grow moderately for the AT&T and Verizon due to strong wireless results, and additional merger synergies. Qwest should also experience modest growth on continued expense reduction. Fitch does not expect the RBOCs to decrease debt levels in 2007. AT&T's debt is expected to increase modestly, as the remaining $7 billion-$8 billion of its $10 billion stock repurchase program is completed during 2007. Verizon, having shed approximately $7 billion in debt through the spin-off of its directory business in the fourth quarter of 2006, is expected to maintain relatively flat debt levels, with ongoing leverage sustained modestly below recent historical levels. Qwest should reduce debt only as maturities occur, which should lead to a reduction of approximately $474 million in 2007.

Rural Local Exchange Carriers (RLECs):

Fitch believes trends in the rural local exchange carrier (RLEC) segment and reliance on traditional sources of wireline revenue warrant a more negative outlook than for the industry as a whole. In 2007, heightened competitive forces raise the risk of weaker financial results, and an uncertain regulatory environment could also pose a problem. Rural carriers have a greater reliance on universal service funds and intercarrier compensation revenues, two sources of revenue that have been subject to protracted reform processes. Free cash flows for the RLEC sector are quite strong, however, surplus cash flows have generally been returned to equity holders in the form of dividends and share repurchases. Thus carriers have had relatively stable debt levels and minimal cash balances.

Wireless Outlook:

Overall, wireless sector fundamentals remained positive in *2006* due to steady subscriber penetration gains, improved churn and relatively stable ARPU with strong growth in data revenue moderately offsetting the voice ARPU pressure from lower-valued subscribers. The strength in the results was driven by the network integration efforts at Cingular and strong operational performance at Verizon Wireless. While industry gross additions should increase to the mid-single digits in *2006,* postpaid gross additions are on pace for a mid-single digit decline, while prepaid / reseller gross additions are expected to grow robustly in the 40% range as the subscriber mix changes due to the focus on the youth segment. Aggregate industry churn for the year should improve modestly to approximately 1.9%. Aggregate net additions will decrease in the mid-single digit range to approximately 21 million, a decrease of 2 million from the high point in 2005. Postpaid net additions should decline in the mid-teen range, although partially offset by strong gains in the prepaid and reseller segment. Consequently, these operational measures will lead to solid growth in revenue and EBITDA in the low double digit range although growth slowed from a year ago when accounting for consolidation within the industry. For the fourth quarter of *2006,* data revenue should approach an annualized revenue stream of $17 billion compared with $10 billion a year ago. Margins are expected to improve by approximately 200 basis points to 33% largely driven by cost structure improvements at Cingular and increased scale in Verizon Wireless' operations.

Fitch expects gross additions will be slightly higher in 2007 with growing pressure on churn, causing aggregate net additions to decrease by approximately 4-5 million from 2006 to the 16-17 million range. Aggregate churn is expected to increase slightly in 2007 with some improvements in postpaid churn being more than offset by an increasing mix of higher churn, lower economic value users in the total subscriber base. With these trends and Sprint Nextel's operational issues, Fitch expects aggregate revenue growth to further slow in the upper single digit range as ARPU is somewhat pressured despite the growth expected in data revenue. Since Verizon Wireless, Cingular and Sprint Nextel Corp. have completed the majority of the nationwide deployments for wireless broadband data with code division multiple access (CDMA) evolution data optimized (EV-DO) or universal mobile telecommunications system (UMTS)/high-speed downlink packet access (HSDPA) technology, Fitch expects good prospects for continued data revenue growth, particularly as data plan price points fall and broader availability of different data handsets and applications increase the adoption rate. By the fourth quarter of 2007, data services could have an annualized run-rate of approximately $26 billion. While further integration efforts at Cingular and continued strong operating performance at Verizon Wireless will assist in improving EBITDA margins to approximately 35% in 2007, network build-outs beginning in late 2007 at T-Mobile and Sprint Nextel will likely pressure any additional improvement beyond 2007. In addition, given Sprint Nextel's recent weak performance, Fitch is concerned the subscriber trends coupled with the positive momentum generated by Verizon Wireless' strong results and Cingular's improved operational performance could exacerbate the challenges that Sprint Nextel faces in stabilizing its performance in light of their numerous operational issues.

-- ALLTEL Corp. ('A', Stable Outlook)
-- American Tower Corp. ('BB-', Positive Outlook)
-- AT&T Inc. ('A', Stable Outlook)
-- BCE Inc. ('BBB+', Stable Outlook)
-- BellSouth Corp. ('A', Stable Outlook)
-- Centennial Communications Corp. ('B-', Stable Outlook)
-- CenturyTel, Inc. ('BBB', Stable Outlook)

-- Cincinnati Bell, Inc. ('B+', Stable Outlook)
-- Citizens Communications ('BB', Stable Outlook)
-- Dobson Communications Corp. ('B-', Stable Outlook)
-- Embarq Corp. ('BBB-', Stable Outlook)
-- Level 3 Communications, Inc. ('CCC', Positive Outlook)
-- Qwest Communications International, Inc. ('BB', Stable Outlook)
-- Rogers Communications, Inc. ('BB', Positive Outlook)
-- Rural Cellular Corp. ('CCC', Stable Outlook)
-- Sprint Nextel Corp. ('BBB+', Negative Outlook)
-- Telecomunicaciones de Puerto Rico, Inc. ('BBB+', Stable Outlook)
-- Telephone & Data Systems, Inc. ('BBB+', Rating Watch Negative)
-- TELUS Corp. ('BBB+', Stable Outlook)
-- Verizon Communications ('A+', Stable Outlook)
-- Windstream Corp. ('BB+', Stable Outlook)

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Cable Racks Up Over 1 Million VOIP Subs in Q2

SEPTEMBER 18,2006

Shattering their old quarterly record for VOIP subscriber gains, North American cable operators signed up more than 1 million IP phone customers for the first time during the spring, according to the latest figures compiled by *Cable Digital* News.

Using mainly the publicly reported figures of cable companies, CDN estimates that U.S. and Canadian MSOs collectively netted 1.03 million new VOIP customers in the second quarter of *2006,* beating their first-quarter VOIP gains by about 100,000 subscribers. As a result, *CDN* reckons that the North American cable industry ended June with approximately 4.8 million IP phone customers, up from slightly less than 3.7 million customers at the close of the first quarter and slightly more than 2.7 million at the end of last year.

The spring surge occurred even though the second quarter is traditionally the weakest three-month period of the year for the cable guys because of temporary service disconnects by college students and snowbirds leaving their homes for the summer. It came at the same time that **U.S.** and Canadian MSOs added about 1.18 million high-speed Internet access subscribers, suggesting that most new cable broadband data customers are also opting for broadband voice service.

The second-quarter totals mean that North American cable operators are now signing up an average of about 11,000 new customers a day for IP phone service, up from 9,900 customers per day in the first quarter. Although impressive, that's not too surprising given that all three of the biggest cable IP phone players Ð Time Warner Cable, Cablevision Systems, and Comcast Ð are now signing up close to 10,000 or more subscribers every week.

in addition, the latest figures mean that U.S. and Canadian MSOs. with 1.9 million new VOIP subscribers under their belts after the first half of the year, are well on their way to signing up close to **4** million phone customers this year. In a recent Cable Industry *Insider* report, *Light Reading* projected that cable operators would rack up at least 3.8 million VOIP subscribers this year and another *5* million next year, boosting the industry's grand total to 11.5 million.

Overall, the cable industry now counts more than 7 million telephony subscribers, including those using older, more traditional circuit-switched technology. Cox Communications and Comcast. with at least 2.3 million circuit-switched phone customers between them, together account for nearly all of the non-VOIP subscribers.

As several RBOCs have admitted in their recent quarterly earnings report, cable's gains are coming at least partly at the phone companies' expense. The phone industry's exact losses to cable have been hard to quantify, though, because the wireless industry's growth is taking its toll on landline connections at the same time.

In the latest market analyst report last month, for example, Primetrica noted that the five largest telcos Ð AT&T, Verizon, BellSouth, Qwest. and Embarq Ð collectively lost nearly 2.6 million switched access lines In the second quarter. But the firm didn't break down the losses between cable gains and wireless substitution.

As they have for the past two years, Time Warner and Cablevision continue to dominate the cable VOIP business, combining to add more than 355,000 phone subscribers in the second quarter. The two MSOs ended June with more than *2.6* million IP phone customers between them, still more than half of the entire industry total.

But, while Time Warner and Cablevision continue to lead the pack, other large MSOs are starting to make big strides in the VOIP market, too. In particular. Comcast and Charter Communications are now picking up speed after getting off to a relatively late start.

Plus, several large, slower-moving MSOs are finally entering the VOIP market. One laggard, CableOne, started rolling out service in May, while another, Insight Communications, plans to launch VOIP later this